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COMMISSION  
CLERK



September 30, 2010

Ms. Ann Cole, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Dear Ms. Cole:

RE: Docket No. 100007-EI

Enclosed is the Prehearing Statement of Gulf Power Company to be filed in the above docket.

Also, enclosed is a CD containing the Prehearing Statement in Microsoft Word as prepared on a Windows XP operating system.

Sincerely,

*Susan D. Ritenour*

COM \_\_\_ vm

APA \_\_\_  
ECR 1 Enclosures containing the same also fwd.

GCL \_\_\_ cc: Beggs & Lane  
RAD \_\_\_ Jeffrey A. Stone, Esq.

SSC \_\_\_

ADM \_\_\_

OPC \_\_\_

CLK \_\_\_

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: **Environmental Cost** )  
**Recovery Clause** )  
\_\_\_\_\_ )

Docket No.: **100007-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 30<sup>th</sup> day of September, 2010, US mail to the following:

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**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Environmental Cost Recovery )  
Clause ) Docket No. 100007-EI  
) Date Filed: September 30, 2010  
)

**PREHEARING STATEMENT OF GULF POWER COMPANY**

Gulf Power Company, (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned attorneys, and pursuant to Order No. PSC-10-0097-PCO-EI, issued February 22, 2010, establishing the prehearing procedure in this docket, files this prehearing statement, saying:

**A. APPEARANCES:**

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS, Esquire  
and STEVEN R. GRIFFIN Esquire, of Beggs & Lane, P.O. Box  
12950, Pensacola, FL 32591-2950  
On behalf of Gulf Power Company.

**B. WITNESSES:** All witnesses known at this time, who may be called by Gulf Power Company, along with the subject matter and issue numbers which will be covered by the witness' testimony, are as follows:

<u>Witness</u> <u>(Direct)</u>	<u>Subject Matter</u>	<u>Issues</u>
1. J. O. Vick (Gulf)	Environmental compliance activities (True-ups and Projection)	1, 2, 3, 4 (Generic) 11A-11C (Company Specific)
2. R.W. Dodd (Gulf)	Environmental compliance cost recovery calculations (True-ups and Projection)	1, 2, 3, 4, 5, 6, 7, 8 (Generic) 11A-11C (Company Specific)

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
(RWD-1)	Dodd	Calculation of Final True-up 1/09 – 12/09
(RWD-2)	Dodd	Supplemental Testimony, filed April 12, 2010
(RWD-3)	Dodd	Calculation of Estimated True-up 1/10 – 12/10
(RWD-4)	Dodd	Calculation of Projection 1/11 - 12/11

D. STATEMENT OF BASIC POSITION

**Gulf Power Company's Statement of Basic Position:**

It is the basic position of Gulf Power Company that the environmental cost recovery factors proposed by the Company present the best estimate of Gulf's environmental compliance costs recoverable through the environmental cost recovery clause for the period January 2011 through December 2011 including the true-up calculations and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS

**Generic Environmental Cost Recovery Issues**

**ISSUE 1:** What are the final environmental cost recovery true-up amounts for the period January 2009 through December 31, 2009?

**GULF:** Over recovery of \$9,744,785. (Vick, Dodd)

**ISSUE 2:** What are the estimated/actual environmental cost recovery true-up amounts for the period January 2010 through December 2010?

**GULF:** Under recovery of \$234,779. (Vick, Dodd)

**ISSUE 3:** What are the projected environmental cost recovery amounts for the period January 2011 through December 2011?

**GULF:** \$157,338,278. (Vick, Dodd)

**ISSUE 4:** What are the environmental cost recovery amounts, including true-up amounts, for the period January 2011 through December 2011?

**GULF:** Recovery of \$147,828,272 (excluding revenue taxes). (Dodd)

**ISSUE 5:** What depreciation rates should be used to develop the depreciation expense included in the total environmental cost recovery amounts for the period January 2011 through December 2011?

**GULF:** The depreciation rates used to calculate the depreciation expense should be the rates that are in effect during the period the allowed capital investment is in service. (Dodd)

**ISSUE 6:** What are the appropriate jurisdictional separation factors for the projected period January 2011 through December 2011?

**GULF:** The demand jurisdictional separation factor is 96.44582%. Energy jurisdictional separation factors are calculated each month based on retail KWH sales as a percentage of projected total territorial KWH sales. (Dodd)

**ISSUE 7:** What are the appropriate Environmental Cost Recovery Factors for the period January 2011 through December 2011 for each rate group?

**GULF:** See table below: (Dodd)

<b>RATE CLASS</b>	<b>ENVIRONMENTAL COST RECOVERY FACTORS ¢/KWH</b>
RS, RSVP	1.343
GS	1.335
GSD, GSDT, GSTOU	1.324
LP, LPT	1.295
PX, PXT, RTP, SBS	1.278
OS-I/II	1.286
OSIII	1.306

**ISSUE 8:** What should be the effective date of the new environmental cost recovery factors for billing purposes?

**GULF:** The new environmental cost recovery factors should be effective beginning with the first billing cycle for January 2011 and thereafter through the last billing cycle for December 2011. The first billing cycle may start before January 1, 2011, and the last cycle may be read after December 31, 2011, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Dodd)

## F. COMPANY-SPECIFIC ISSUES

### Gulf Power Company

**ISSUE 11A:** Should the Commission approve Gulf's Environmental Compliance Program Update for the Clean Air Interstate Rule and Clean Air Visibility Rule (Compliance Program) that was submitted on April 1, 2010?

**GULF:** Yes. This document is an update of Gulf's original Compliance Program set forth in the Stipulation between OPC, FIPUG, and Gulf which was approved by the Commission in Order No. PSC-07-0721-S-EI. In the Update, Gulf Power outlines its ongoing compliance projects and the reasons Gulf plans to continue these projects. The Update represents the most cost-effective alternative for Gulf to assure environmental compliance while preserving flexibility to address future compliance requirements. (Dodd, Vick)

**ISSUE 11B:** Should the Commission grant Gulf's Petition for approval of the inclusion of the Plant Daniel Units 1 & 2 Selective Catalytic Reduction Systems (SCRs) in the Company's Compliance Program and for recovery of the associated costs through the ECRC?

**GULF:** Yes. On April 1, 2010, Gulf Power filed its Second supplemental petition regarding CAIR/CAVR environmental compliance program requesting inclusion of the Plant Daniel Units 1 and 2 SCRs in the Company's Environmental Compliance Program for the Clean Air Interstate Rule and Clean Air Visibility Rule. As outlined in its Compliance Program, Gulf has determined that the installation of SCRs on Plant Daniel Units 1 and 2 are necessary to meet CAIR requirements. On May 19, 2010, the Commission issued a procedural order, Commission Order No. PSC-10-0316-PCO-EI, setting June 30, 2010 as the deadline for the Commission Staff or other interested parties to raise objections, if any, to the Second Supplemental Petition of Gulf Power Company Regarding its CAIR/CAVR Environmental Compliance

Program. No such objections were raised by Commission Staff or interested parties. (Dodd, Vick)

**ISSUE 11C:** Should the Commission approve Gulf's newly proposed Information Collection Request-related Effluent Limitation Guidelines (ICR-ELG) Project?

**GULF:** Yes. The costs for this project meet the requirements of Section 366.8255, Florida Statutes, for recovery through the Environmental Cost Recovery Clause. (Dodd, Vick)

**G. STIPULATED ISSUES**

**GULF:** Yet to be determined. Gulf is willing to stipulate that the testimony of all witnesses whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

**H. PENDING MOTIONS:**

**GULF:** NONE.

**I. PENDING CONFIDENTIALITY REQUEST:**

None.

**J. OTHER MATTERS:**

**GULF:** To the best knowledge of counsel, Gulf has complied with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for November 1-3, 2010, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 30th day of September, 2010.

Respectfully submitted,



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